

SUMMARY ANALYSIS OF AMENDED BILL

Author: Cardenas Analyst: Kristina North Bill Number: AB 2735

Related Bills: See previous analysis Telephone: 845-6978 Amended Date: 04/27/98

Attorney: Doug Bramhall

Sponsor:

SUBJECT: Public School Volunteer Credit

DEPARTMENT AMENDMENTS ACCEPTED. Amendments reflect suggestions of previous analysis of bill as introduced/amended _____.

☒ AMENDMENTS IMPACT REVENUE. A new revenue estimate is provided.

☒ AMENDMENTS DID NOT RESOLVE THE DEPARTMENT'S CONCERNS stated in the previous analysis of bill as introduced February 23, 1998.

☒ FURTHER AMENDMENTS NECESSARY.

DEPARTMENT POSITION CHANGED TO _____.

☒ REMAINDER OF PREVIOUS ANALYSIS OF BILL AS INTRODUCED FEBRUARY 23, 1998, STILL APPLIES.

☒ OTHER - See comments below.

SUMMARY OF BILL

Under the Personal Income Tax Law (PITL), for each taxable year beginning on or after January 1, 1999, this bill would establish a \$100 credit for qualified taxpayers volunteering at least 40 hours in any public school maintaining grades kindergarten through eight in this state and attended by the taxpayer's child or children.

SUMMARY OF AMENDMENT

The April 27, 1998, amendment:

- ◆ limited the credit to public elementary or secondary schools in California;
- ◆ defined "qualified taxpayer" as a parent, stepparent, or other person with physical custody of the child in connection with whom the credit is claimed;
- ◆ provided a limit of one credit per household for each taxable year; and
- ◆ established requirements that, for the taxpayer to be eligible for the credit, the school at which the qualified taxpayer volunteers must maintain a record of the hours volunteered and provide a copy of the records upon request.

DEPARTMENTS THAT MAY BE AFFECTED:

___ STATE MANDATE

___ GOVERNOR'S APPOINTMENT

Board Position:

___ S ___ O
___ SA ___ OUA
___ N ___ NP
___ NA ___ NAR
___ X ___ PENDING

Agency Secretary Position:

___ S ___ O
___ SA ___ OUA
___ N ___ NP
___ NA ___ NAR
DEFER TO _____

GOVERNOR'S OFFICE USE

Position Approved ___
Position Disapproved ___
Position Noted ___

Department/Legislative Director Date
Johnnie Lou Rosas **5/7/98**

Agency Secretary Date

By: Date:

The school credit eligibility requirements include:

- ◆ designating at least one person to maintain the records;
- ◆ requiring that the taxpayer report to the designated recordkeeper at the beginning and end of each volunteer day, or partial day;
- ◆ verifying the taxpayer's child's enrollment at that school;
- ◆ maintaining records for each school volunteer;
- ◆ providing the records within 30 days of receipt of a request from either the taxpayer or the Franchise Tax Board; and
- ◆ when providing the records, including the name and address of the school, the qualified taxpayer name, name of the child in connection with whom the qualified taxpayer is volunteering, and number of hours volunteered by the qualified taxpayer.

The implementation and policy considerations from the department's analysis of the bill as introduced February 23, 1998, that still apply are restated and additional concerns are identified as follow.

Policy Considerations

Tax credits generally contain a sunset date so the Legislature may review their effectiveness. This credit does not contain a sunset date.

This bill would establish a tax policy precedent since tax incentives are typically allowed only for actual expenses (i.e., time spent in volunteer work for charity is not deductible, but costs of gasoline used in connection with volunteer work is deductible.)

Implementation Considerations

The department has identified the following implementation concerns. Department staff is available to work with the author's office to resolve these and other concerns that may be identified.

- ◆ Definitions are needed for "physical custody" and "household." Without definitions, the department would have difficulty administering this credit.
- ◆ To be eligible for this credit, the school at which a taxpayer's child attends and at which the taxpayer volunteers time would have to maintain records of the hours volunteered. However, the terms of the proposed statute allows a school to chose whether to maintain and provide the records. If a school chooses not to maintain or provide the records, the taxpayer would not be eligible for the credit. This situation may cause confusion for taxpayers who volunteer time at schools which choose not to maintain records.

Technical Considerations

The grammatical structure of the volunteer record requirement in this bill could be interpreted as allowing credit eligibility to schools. However, pursuant to other sections of this bill, schools would not meet the "qualified taxpayer" criteria and would not be eligible for the credit. The author may wish to rephrase the requirement language to avert confusion.

In other credits with a certification process, the certification is provided to the taxpayer who must provide it to the FTB upon request.

Tax Revenue Estimate

Based on data and assumptions discussed below, the revenue impact from this bill is estimated to be as follows:

Estimated Revenue Impact of AB 2735 As Amended April 27, 1998 Taxable Years Beginning After 12/31/1998 (In \$Millions)			
Fiscal Years	1998/99	1999/00	2000/01
Revenue Impact	(minor)	(15)	(15)

Tax Revenue Discussion

Revenue losses would depend on the number of households claiming this credit and their tax liabilities.

According to the Department of Education, there were nearly 4 million students were enrolled in California public schools grades K-8 in October 1996. The number of volunteers eligible for this credit is not known. To estimate the revenue impact, it was assumed that if, on average, one volunteer for each class (average of 25 students) would claim this credit, the magnitude of annual revenue losses would be on the order of \$16 million. To allow for the one credit per household limitation in this amended version, estimates were reduced by an assumed 10% factor.